

Q. 1 Answer the following (Any 2) (15)

- A. Degrees of elasticity of demand.
- B. Consumer's surplus.
- C. Methods of demand forecasting.

Q. 2 Discuss the following (Any 2) (15)

- A. Meaning and properties of Isoquant.
- B. Law of Returns to Scale.
- C. Internal economies of scale.

Q. 3 Explain the following (Any 2) (15)

- A. Concepts of cost.
- B. Relationship between AC, AFC, AVC and MC.
- C. Producer's surplus

Q. 4 Answer the following (Any 2) (15)

- A. TR, AR and MR under perfect competition.
- B. Growth maximisation.
- C. Concept of break-even point.

Q. 5 A. State whether the following statements are **TRUE OR FALSE** with reasons. (Any 4)

(8)

- a) All giffen goods are inferior goods.
- b) The inverse relationship between the price and demand can be explained in terms of
- c) price, income and substitution effects.
- d) Demand forecasting is not necessary for inventory planning.
- e) Linear isoquant shows perfect substitutability of factors.
- f) The law of variable proportion explains returns to all factors of production.
- g) In short run the firm throughout the first phase of production the marginal production rises.
- h) The implicit cost are opportunity cost of the factors owned and used by entrepreneurs.
- i) A firm does not aim at maximising normal profit.

Q. 5 B. Choose the correct answer and rewrite the statement. (Any 7) (07)

1. The income effect of a price change \_\_\_\_\_.

- a) Is always positive
- b) Is always negative
- c) May be positive or negative
- d) Is caused by changes in consumer taste

2. Cross elasticity of demand for complementary goods is \_\_\_\_\_.

- a) Negative
- b) Positive
- c) Zero
- d) One

3. Increasing returns to scale means \_\_\_\_\_.

- a) Marginal product is constant
- b) Proportion of change in output is exceeding the proportion of change in input

- c) The marginal product curve is declining  
d) Excellent management
4. A kinked iso-quant indicates \_\_\_\_\_  
a) Limited substitutability of factors  
b) Continuous substitutability of factors  
c) Perfect substitutability of factors  
d) Zero substitutability of factors
5. When TP is maximum, MP is \_\_\_\_\_  
a) Zero  
c) Maximum
6. Under \_\_\_\_\_ Price = AR = MR.  
a) Perfect competition  
c) Oligopoly
7. \_\_\_\_\_ revenue is total sale of certain amount of commodity at a given time.  
a) Total  
c) Marginal
8. A firm is at break-even point when \_\_\_\_\_  
a)  $TR > TC$   
c)  $TR = TC$
- (b) Negative  
(d) Constant
- (b) Monopoly  
(d) Imperfect competition  
(b) Average  
(d) Incremental
- (b)  $TR < TC$   
(d)  $TR - TC$

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